

September 30, 2013

CUSTOMER NAME
ADDRESS LINE 1
ADDRESS LINE 2
CITY STATE ZIP

ACCT #

Dear Valued Customer:

At Cleveland Water, we take great pride in providing the highest quality water to all of our customers. For more than 90 years, we have proudly ensured a safe and reliable supply of water to the City of Westlake.

As you may be aware, the City of Westlake recently notified Cleveland Water that it intends to terminate its relationship with the Cleveland Water system and seek another supplier of water. In light of this, we wanted to share with you how the City of Westlake's actions will impact your water rates.

As the water supplier to more than 70 communities across parts of 5 counties, we take our responsibility to cost-effectively deliver safe water seriously. Since 1981, we have invested more than \$1.8 billion in our water treatment and delivery infrastructure and have structured our operations to quickly respond to water main breaks so that we can provide best in class customer service. In general, Cleveland Water recovers the cost of these investments over time through the water rates we charge all of our customers. A substantial portion of these costs have been invested to benefit the City of Westlake, and more than \$39.8 million of these costs, Westlake's share, will remain unpaid when the City of Westlake switches water providers.

Additionally, the City of Westlake's decision to leave the Cleveland Water system will impact the communities immediately bordering Westlake, including Bay Village, Fairview Park, North Olmsted and Rocky River. In order to ensure that our remaining customers, particularly those in the communities next to Westlake, continue to enjoy the same level of service they have come to expect and rely on, we must make additional infrastructure changes and investments at all of the points where Westlake disconnects from the Cleveland Water system. These additional costs are in excess of \$19 million.

These additional costs are, for example, associated with the physical separation of the City of Westlake from the Cleveland Water system and their neighboring communities. Currently, Westlake is connected to Cleveland Water's four interconnected water treatment

plants, including the Crown Water Treatment Plant located in the City of Westlake, via 65 separate points of connection. These points of connection would have to be cut and, in some instances, re-routed back into Bay Village, Fairview Park, North Olmsted and Rocky River to ensure these communities continue to receive the same level of service they currently enjoy and to prevent water quality issues.

These costs, \$58.8 million in all, must be recovered as a part of our business operations.

Because the decision to leave the Cleveland Water system was made by the City of Westlake, it is unfair to ask our remaining rate payers to bear the burden of these costs. As a result, we have introduced an ordinance with Cleveland City Council to allow us to recover these costs directly from rate payers in the City of Westlake during the five-year cancellation period. This action is consistent with the Water Service Agreement signed by the City of Westlake in 1990.

Under this ordinance, effective January 1, 2014, customers in Westlake will see an additional charge on their Cleveland Water bill due to the City of Westlake's decision. These additional charges, detailed in the table below, are determined by the size of your water meter and are scheduled to recur on all Westlake quarterly customer bills (or monthly if there is a change in the billing schedule) during the five year cancellation period. In general, a typical homeowner has a "1 inch or smaller" meter. If separation occurs more quickly, these charges will be adjusted to ensure all costs are recovered.

Additional Quarterly Charge to Recover Costs	
1" or smaller meters	\$ 291
1.5" and 2" meters	\$ 569
3" and 4" meters	\$ 1,942
6" meters	\$ 3,468
8" meters	\$ 5,272

We regret the impact of the City of Westlake's decision on our Westlake water customers, but our obligation is to the more than 70 member communities in the Cleveland Water system. If you would like additional information or have a question, please visit our website at www.clevelandwater.com, email us at WestlakeInquiries@clevelandwater.com or call (216) 664-2882.

Sincerely,

Paul Bender
Director, Department of Public Utilities